

Farm Bill Section 9007

Rural Energy for America Program

Section 9007 – The Rural Energy for America Program (*formerly Section 9006 Renewable Energy and Energy Efficiency Improvements Program*), through USDA Rural Development offers **grants, guaranteed loans, and combination grant/guaranteed loans** to help **agricultural producers** and **rural small businesses** purchase and install renewable energy systems and make energy efficiency improvements in rural areas. A **rural area** is any area other than a city or town that has a population of greater than 50,000 inhabitants and the urbanized area contiguous to such a city or town according to the latest decennial United States census. To determine if your area is eligible, visit:

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=RBSmenu&NavKey=property@13>

Renewable energy - Energy derived from a wind, solar, biomass, or geothermal source; or hydrogen derived from biomass or water using wind, solar, biomass, or geothermal energy sources.

Who is eligible?

- ☒ An **agricultural producer** (individual or entity) directly engaged in the production of agricultural products and obtains at least 50% or greater of their gross income from their agriculture business.
- ☒ A **rural small business** – an entity is considered a small business in accordance with SBA's (Small Business Administration) small business size standards (by NAICS codes). SBA small size standards can be found at <http://www.sba.gov/size/index.html>
 - A private entity including a sole proprietorship, partnership, corporation, and a cooperative (including a cooperative qualified under section 501(c) (12) of the Internal Revenue Code.
 - An electric utility, including a Tribal or governmental electric utility that provides service to rural consumers on a cost-of-service basis without support from public funds or subsidy from the Government authority establishing the district, provided such utilities meet SBA's definition of small business. These entities must operate independent of direct Government control.
- ☒ For projects with total eligible costs **exceeding \$200,000**, agricultural producers and rural small businesses with a demonstrated financial need.
- ☒ For projects with total eligible costs of **\$200,000 or less**, applicants must provide a statement certifying their financial need.

These are the types of projects USDA Rural Development can consider:

	Renewable Energy Projects	Energy Efficiency Improvements Projects
Categories of projects <i>(Projects must be for a pre-commercial or commercially available, and replicable technology and must have technical merit)</i>	Biomass, Small and Large Wind, Small and Large Solar, Anaerobic Digester, Geothermal – electric generation, Geothermal – direct use, Hydrogen	Energy Efficiency Improvements verified by an energy audit or energy assessment. (Projects may include retrofitting lighting or insulation, or purchasing or replacing equipment with more efficient units in existing facilities or new replacement facilities.)

How much assistance can be provided?

	Renewable Energy Projects	Energy Efficiency Improvements Projects
Description	A system that produces or produces and delivers usable energy from a renewable energy source.	Improvements to a facility, building, or process that reduces energy consumption.
Minimum grant (no more than 25% of total eligible project costs)	\$ 2,500	\$ 1,500
Maximum grant (no more than 25% of total eligible project costs)	\$ 500,000	\$ 250,000
Maximum grant per applicant per Federal fiscal year		\$ 750,000
Minimum guaranteed loan (no more than 75% of total eligible project costs)	\$ 5,000	\$ 5,000
Maximum guaranteed loan (no more than 75% of total eligible project costs)	\$ 25,000,000	\$ 25,000,000
Minimum grant portion of the combined funding request	\$ 1,500	\$ 1,500
Maximum combination grant/guaranteed loan (no more than 75% of total eligible project costs)		\$ 25,000,000
Services of a Professional Engineer required?	Projects with total eligible costs greater than \$400,000	Projects with total eligible costs greater than \$200,000
Energy audit or energy assessment required?	NO	Required for all energy efficiency projects. Projects with total eligible costs greater than \$50,000 require an energy audit.
Business Level Feasibility study required?	Projects with total eligible costs greater than \$200,000	NO
Technical Report Required?	YES (Appendix A or B)	YES (Appendix A or B)
Guaranteed loan – Required <u>Cash Equity</u> injection by borrowers.	= or < \$600,000 – not less than 15% of eligible project costs > \$600,000 – not less than 25% of eligible project costs May use market value of real estate equity pledged as collateral.	
Maximum percentage of guarantee	HAS NOT BEEN DETERMINED	
Guaranteed loan - Appraisal	\$600,000 or less - complete summary appraisal Greater than \$600,000 - complete self-contained appraisal	

Guaranteed Loans – The §9007 Guaranteed Loan Program is lender driven. USDA Rural development guarantees the loan rather than lending directly. A guaranteed lender requests a guarantee, and if approved, it makes (and services the loan).

Interest Rate, Term, Payment Structure, Fees, and Underwriting and Security Requirements

Interest Rate: Lender's customary commercial interest rate – negotiated by lender and applicant

Loan Term:

- Working capital – 7 years
- Equipment – 20 years maximum (not to exceed useful life of collateral)
- Real Estate – 30 years maximum (not to exceed useful life of collateral)

Structure: Balloon payments not permitted. Principal payments may be deferred until the project is operating.

Fees: Lender may charge reasonable and customary fees. **1%** Guarantee fee at origination and **0.25%** (one-quarter of one percent) annual renewal fee based on Unpaid Principal Balance as of December 31 of each year.

Repayment Ability: The proposed operation must demonstrate adequate repayment ability based on realistic projections.

Credit History: The business and its owners must have a good credit history.

Collateral: Discounted collateral value must be at least equal to the loan amount.

Personal/corporate guarantees: Typically required from all proprietors, partners, or major shareholders (i.e., all those with a 20% or greater interest).

Program information

	Grant	Guaranteed Loan	Combination Grant & Guaranteed Loan
Who is the applicant? Majority ownership must be held by US Citizens or permanent residents	Agricultural producer or rural small business	A lender is the applicant seeking a guarantee on a loan to an agricultural producer or a rural small business. (1% guarantee fee at origination and 0.125% annual renewable fee based on UPB as of 12/31.	2 applications required. The grant application is from the agricultural producer or the rural small business. The lender submits an application for the guaranteed loan.
What are eligible costs? <i>(All eligible projects must be located in a rural area and utilize a replicable pre-commercial or replicable commercially available, and feasible technology.</i> <i>The applicant must be the owner of the project and control the operation and maintenance of the proposed project.</i> <i>Applicants must demonstrate the project has sufficient revenues to provide for operation and maintenance.)</i>	<ol style="list-style-type: none"> 1. Post application purchase and installation of equipment (new, refurbished, or remanufactured), except agricultural tillage equipment, used equipment and vehicles. 2. Post application construction or project improvements, except residential 3. Energy audits or assessments 4. Permit and license fees 5. Professional service fees, except for application preparation. 6. Feasibility studies and technical reports 7. Business Plans 8. Retrofitting 9. Construction of a new energy efficient facility only when the facility is used for the same purpose; is approximately the same size; and based on the energy audit, will provide more energy savings than improving an existing facility. 	The same eligible costs as listed for a grant, with the addition of: 10. Working capital 11. Land Acquisition	Only the guaranteed loan portion can be used for working capital or land acquisition.

Type of application to be submitted to Texas USDA Rural Development

Application Process	Total eligible project costs
Simplified grant application criteria and procedures 4280.109	\$200,000 or less
Applicant provides a certification of financial need	\$200,000 or less
Technical Report Guidelines can be found in	Appendix A to RD Instruction 4280-B
Full grant application criteria and procedures 4280.111	Greater than \$200,000
Applicant has demonstrated financial need	Greater than \$200,000
Technical Report Guidelines can be found in	Appendix B to RD Instruction 4280-B
Guaranteed loans – Reduced application and documentation 4280.128	\$600,000 or less
Guaranteed loans – Full application and documentation	Greater than \$600,000

We encourage you to start planning your project now.

Start early. Applications require both well-designed projects and some detailed information about the applicant's agriculture or business operations.

Determine your eligibility. If you have any questions, contact a USDA Rural Development office for assistance in determining your eligibility. <http://www.rurdev.usda.gov/tx/officeinfo.htm>

Scope out your project. You will need to assemble a project team, so you should first contact area experts who can assist you in designing your project.

Begin the environmental process early. A USDA Rural Development office can assist you in beginning the environmental process.

Technical information. Your system installer or contractor should be able to provide most of the information required in the application. Technical reports will be in accordance with RD Instruction 4280-B, Appendix A or B.

Grant Applications: Two (2) copies of your complete application are to be submitted to USDA Rural Development, Attention: Business & Cooperative Programs, 101 South Main, Suite 102, Temple, TX 76501.

Grant applications must meet the application requirements specified in RD Instruction 4280-B, Section 4280.111. You may contact Business & Cooperative Programs at (254) 742-9780, for a grant application checklist and grant application template. Application forms and additional required forms may be obtained from the following website: <http://www.rurdev.usda.gov/rbs/farmbill/9006form.html>

Selection is based on a nation-wide competition for funds using specific evaluation criteria contained in 7 CFR 4280.112(e). Applicants must tab and number each evaluation criteria and include in that section, its corresponding supporting documentation and calculations according to 7 CFR 4280.112. To qualify for funding consideration, an application must meet the applicant and project eligibility requirements, technical feasibility and environmental requirements.

Separate applications must be submitted for renewable energy system and energy efficiency improvement projects. Only one application per each type of project may be submitted per applicant each year.

Guaranteed Loan Applications: Once a lender has agreed to finance the proposal provided the guarantee is approved, borrowers and lenders may file an application with the Agency. **Guaranteed loan submission requirements are listed in RD Instruction 4280-B, Section 4280.128**

Combined Funding: Separate applications for both types of assistance (grant and guaranteed loan) are required. Each application must meet the requirements, including the requisite forms and certifications specified in section 4280.111 and 4280.128.

When are applications due in FY 2009:

Program	State and/or National Allocation	Application Submission Frequency	Applications must be received no later than
RE/EE grants	Pending NOFA release	Pending NOFA release (early 2009)	Pending NOFA release (early 2009)
RE/EE guaranteed loans	Pending NOFA release	Pending NOFA release (early 2009)	Pending NOFA release (early 2009)
RE/EE combination grants/guaranteed loan	Pending NOFA release	Pending NOFA release (early 2009)	Pending NOFA release (early 2009)

Resources: For information on renewable energy resources you may visit the following websites:

USDA Rural Development Rural Energy for America Program Regulations

<http://www.rurdev.usda.gov/regs/regs/pdf/4280b.pdf>

National Renewable Energy Laboratories www.nrel.gov

Texas Renewable Energy Industries Association www.treia.org

Rural Alliance for Renewable Energy www.infinitepower.org/rare

U.S. Department of Energy <http://www.eere.energy.gov/>

State Energy Conservation Office www.seco.cpa.state.tx.us